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# Forbes

## AMERICA'S SHRINKING INDUSTRIAL BASE

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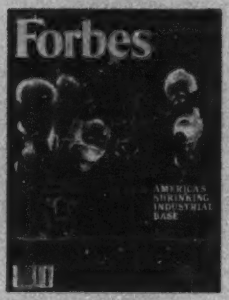


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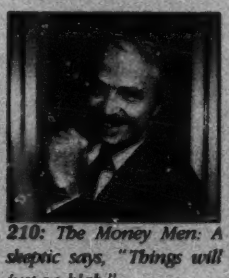

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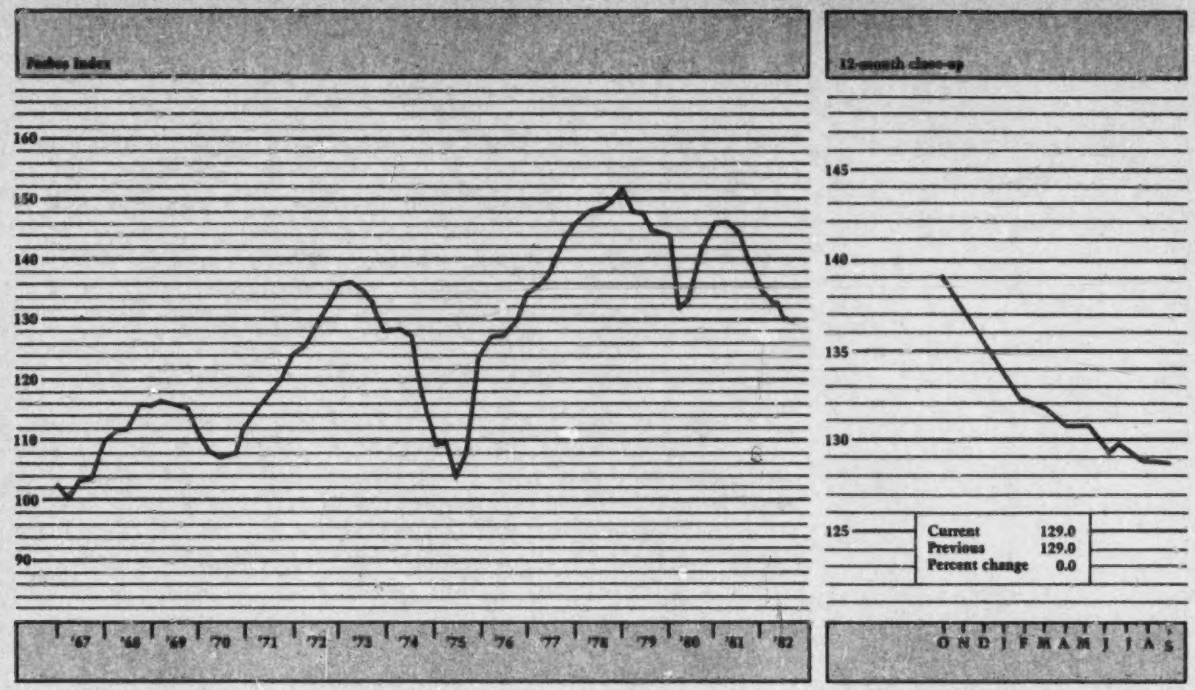
# The Forbes Index



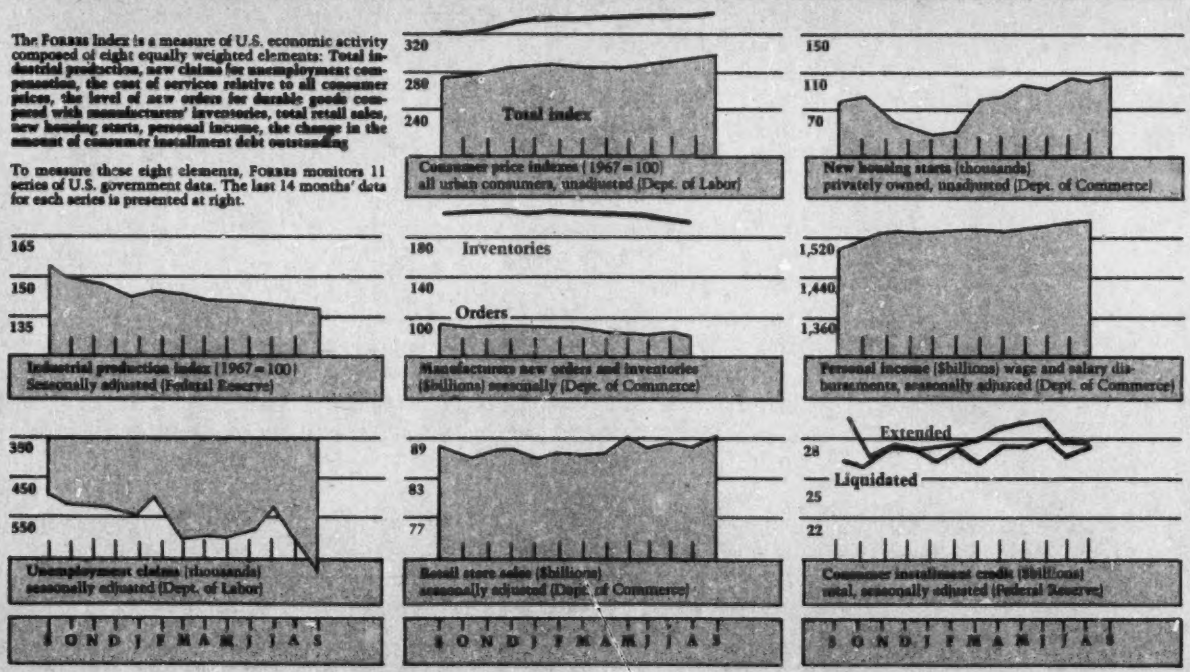

**Steady as she goes.** The Forbes Index has flattened out, ending the sawtooth pattern it has followed in recent months. Good news was provided by housing starts, which were up 15.5% in September following a 12.7% decline in August. Also positive was news from the inflation front. Both the consumer price index and the index of price changes in service-connected sectors registered 0.2% gains. That's a very low 2% annual inflation rate.

The Forbes Index failed to rise largely because the unemployment rate increased. Claims in September posted a disheartening 18.4% rise over midsummer levels. In fact, unemployment claims are now at the highest point in the index' history. If we draw another harsh winter, it appears the recovery will not arrive until spring.

## The Forbes Index Components

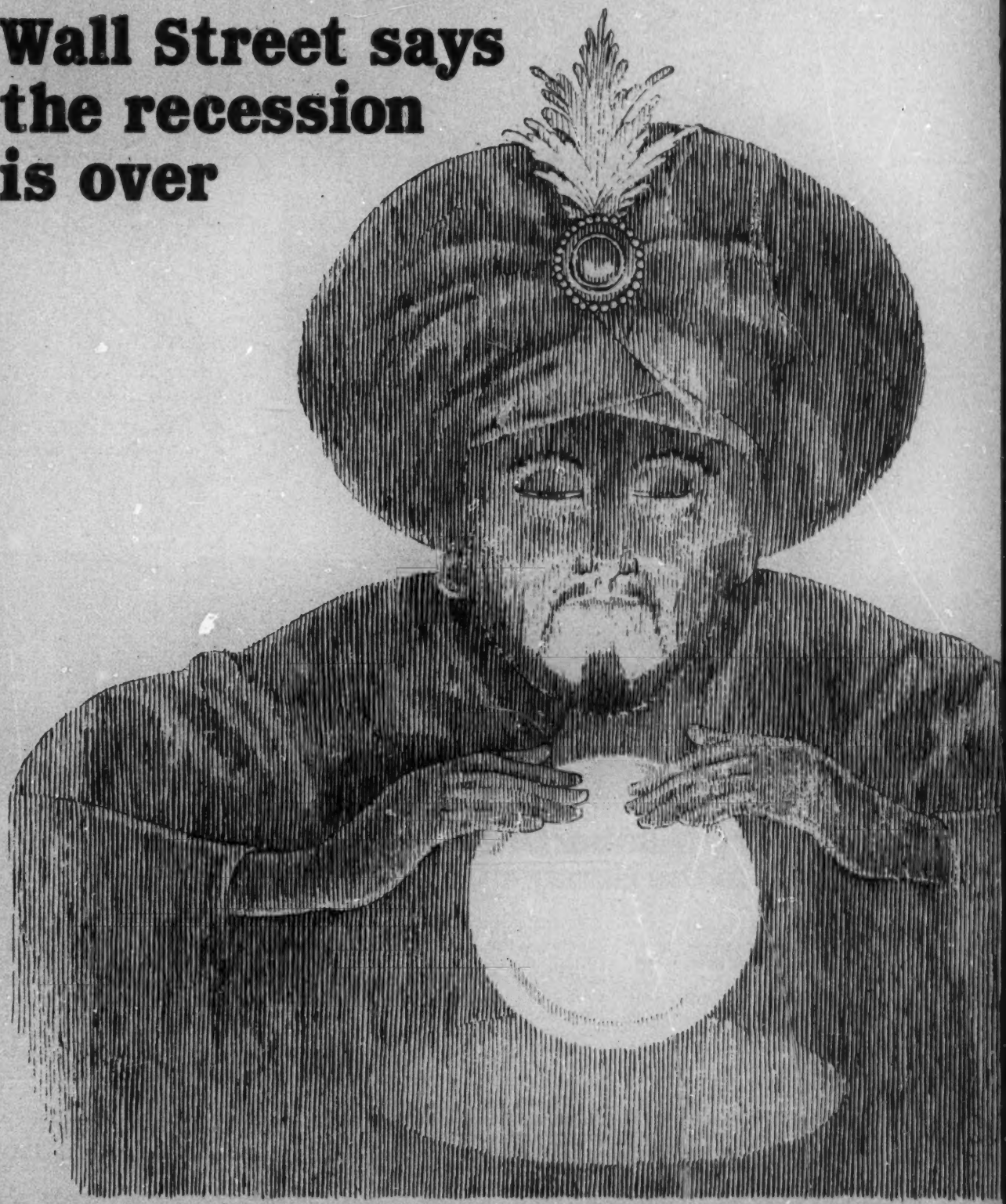
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding

To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.



*Earnings predictions for the Forbes 500 are now far brighter than they were last year. If the analysts' forecasts are on the mark, it may be time to break out the champagne.*

# Wall Street says the recession is over



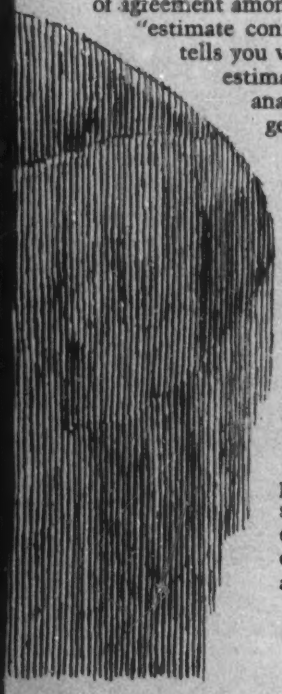
**By Steve Kichen and Paul Bornstein**

ESTIMATES HAVE BEEN dropping all year and are still dropping," says Stan Levine, a vice president of New York brokerage house Lynch, Jones & Ryan, whose Institutional Brokers Estimate System (IBES) gathers and tabulates earnings estimates on some 2,400 firms from over 1,000 security analysts. "In the past month three times as many 1983 estimates have been cut as increased," notes Levine.

Curious. The stock market wild on the upside and the security analysts trimming their expectations. But the discrepancy is not as wide as it appears. The analysts' action simply reflects the prevailing expectations about the economy. In other words, Wall Street expects a recovery but a less vigorous one than was expected earlier in the year *(see What's Ahead for Business, p. 33)*.

So, the underlying message is a cheerful one: The recession is over. Although earnings estimates are being scaled back, of the 469 Forbes 500 firms for which three or more analyst estimates are available, 449, or 96%, are expected to show higher earnings in 1983 than in 1982.*

A consensus estimate is the product of several analysts. Unfortunately but predictably, individual analysts may be far apart in their projections. So we sought Levine's assistance in converting the IBES statistical measurement of the level of agreement among analysts into an "estimate confidence factor." It tells you whether or not the estimates by different analysts are close together or far apart.



American Electric Power, for example, is a firm with a "very high" estimate confidence factor. Meaning: Individual security analysts have similar expectations for the earnings prospects of this company. Slow but steadily growing companies such as electric utilities are usually more predictable than cyclical manufacturers of capital goods.

Not surprisingly, there is a lot less agreement among analysts over a company such as Chrysler. The smallest of the big three shows a "very low" earnings estimate confidence factor. The consensus estimate for Chrysler pegs 1983 earnings at $2.96 a share. But among the 13 estimates that make up this figure, the per-share expectations run from as low as $1.25 to as high as $4.65. Depending on whom you believe, Chrysler is selling at between 7 and 2 times next year's earnings.

Among the Forbes industry groups expected to make a significant rebound in earnings are paper and forest products, industrial and agricultural machinery, metals and airlines. Boise Cascade, an Idaho-based producer of paper, packaging and wood products, is expected to make the greatest percentage gain in 1983: $2.51, vs. an estimated $0.33 in 1982.

This year we have included data from the Institutional Brokers Opinion Service (IBOS), a product offered through Bankers Trust and Lynch, Jones & Ryan. IBOS monitors the buy, hold and sell recommendations of brokerage house security analysts on over 1,800 securities. This data is collected, tabulated and analyzed, with each security getting a composite recommendation.

Gifford Lehman, vice president of Bankers Trust, points out that IBOS numbers are at odds with recent market behavior. "All through the rally the overall average of analyst opinions has been moving more and more toward the sell side," he explains. "We're not sure of the significance of this in the face of a dramatic market rally, but we certainly think that it is interesting."

Using cutoff points recommended by Lehman, we converted the IBOS statistic on each company into plain English—simple buy, sell or hold recommendations. These appear in the last two columns of our table. The column on the far right, analysts' ratings confidence factor, reflects the amount of agreement among analysts about these recommendations. As with our estimate confidence factors, it ranges from "very high" to "very low."

The average analyst opinion on Central Soya, for example, is a "buy." This food processor also has an analysts' ratings confidence factor of "very high," which indicates that there is considerable agreement among analysts about the stock. Not so about earnings. The consensus earnings estimate for Central calls for a 38% gain next year. Note, however, that the estimate confidence factor is very low. A number of analysts expect the company to do much better than the $1.76 consensus forecast, while others are not nearly so optimistic.

**The following companies are rated as "buys" and are expected to show earnings gains of 100% or more.**

| Company | Estimated increase in 1983 earnings |
|---|---|
| Boise Cascade | 661% |
| Champion International | 256 |
| Delta Air Lines | 252 |
| General Motors | 151 |
| BF Goodrich | 205 |
| Northwest Airlines | 237 |
| PACCAR | 140 |
| Rexnord | 368 |
| Singer | 313 |
| Trans World | 198 |
| Uniroyal | 100 |

Although analyst earnings estimates are only educated guesses about the future, they can be useful in ferreting out potentially overvalued or undervalued situations. Over 50% of the Forbes 500 companies are priced at a multiple of 7 or less, based on 1983 estimates. On the other hand, less than 1% of the firms are now selling at a predicted multiple of 20 or more. Jim Walter, for example, is priced at 24 times estimated 1983 earnings.

One clue to the reliability of consensus estimates and opinions is the amount of agreement among individual analysts. Sharp-eyed investors have often found that strong agreement or disagreement can provide buying or selling opportunities in the market. If the analysts are unanimously high on a stock, it's often time to sell. And vice versa.

Of the more than 460 firms listed on the following pages, only 4—Bristol-Myers, IBM, Philip Morris and SONAT—score well on all criteria. These companies are expected to have at least a 10% improvement in earnings next year, are rated as a buy in the IBOS service and show very high confidence factors for both earnings estimates and analysts' ratings. Will this unanimity of favor, these generous smiles from the analysts, jinx these stocks? Or, basking in Wall Street approval, will they turn out big winners? Tune in next year.

**This year FORBES used a new IBES on-line computer service, called IBOL, to obtain consensus estimates for the next fiscal year for the companies listed in Forbes Sales 500* (May 10).

# Earnings forecast for the Forbes 500

**Throughout this year analysts have been lowering their 1983 earnings estimates, but a rebound in corporate profitability is still expected. Below: Institutional Brokers Estimate System (IBES) consensus earnings estimates and Opinion Survey (IBOS) buy-sell recommendations for 469 of the Forbes 500 (sales) companies.**

| Earnings momentum | Company | —Estimated earnings per share*— 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | —Analysts' ratings— buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | AMF | $2.09 | $2.72 | 30% | low | 18⅛ | 7 | hold | very low |
| ▲ | AMR | 0.15 | 2.88 | NM | very low | 17⅝ | 6 | hold | average |
| ▲ | ARA Services | 4.09 | 4.53 | 11 | very high | 35⅜ | 8 | sell | average |
| ▲ | Abbott Labs | 2.37 | 2.77 | 17 | very high | 37½ | 14 | sell | very high |
| ▲ | Aetna Life & Casualty | 6.24 | 6.91 | 11 | average | 42¾ | 6 | buy | average |
| ▲ | HF Ahmanson | –3.82 | 1.96 | NM | very low | 19¼ | 10 | buy | low |
| ▲ | Air Products & Chemicals | 3.96 | 4.58 | 16 | average | 34¼ | 7 | hold | average |
| ▲ | Albertson's | 3.75 | 4.28 | 14 | very high | 44¼ | 10 | hold | high |
| ▲ | Alco Standard | 2.94 | 3.42 | 16 | average | 25⅞ | 8 | buy | very low |
| ▲ | Allegheny International | 3.31 | 5.46 | 65 | average | 23½ | 4 | NA | NA |
| ▲ | Allegheny Power System | 3.42 | 3.50 | 2 | high | 22½ | 6 | hold | very high |
| ▲ | Allied Corp | 6.84 | 7.46 | 9 | low | 35⅞ | 5 | sell | average |
| ▲ | Allied Stores | 4.29 | 5.05 | 18 | average | 35 | 7 | hold | average |
| ▲ | Allis-Chalmers | –7.37 | –0.67 | NM | very low | 9⅛ | NM | hold | very high |
| ▲ | Aluminum Co of America | 0.95 | 2.75 | 189 | very low | 28½ | 10 | hold | average |
| ▲ | Amax | –2.63 | 0.07 | NM | very low | 25 | NM | sell | very high |
| ▲ | Amerada Hess | 2.55 | 4.52 | 77 | low | 29⅜ | 6 | buy | average |
| ▲ | American Brands | 6.83 | 7.59 | 11 | high | 48½ | 6 | buy | low |
| ▲ | American Broadcasting | 5.64 | 6.35 | 13 | high | 52⅛ | 8 | buy | high |
| ▲ | American Can | 3.09 | 3.96 | 28 | low | 35½ | 9 | buy | very low |
| ▲ | American Cyanamid | 3.03 | 3.93 | 30 | average | 34¼ | 9 | hold | very high |
| ▲ | American Electric Power | 2.43 | 2.56 | 5 | very high | 19¼ | 8 | hold | low |
| ▲ | American Express | 5.92 | 6.63 | 12 | high | 59 | 9 | buy | high |
| ▲ | American General | 6.98 | 7.43 | 6 | high | 46⅛ | 6 | hold | very high |
| ▲ | American Home Products | 3.60 | 4.08 | 13 | very high | 44⅜ | 11 | hold | very high |
| ▲ | American Hospital Supply | 2.45 | 2.88 | 18 | very high | 41⅜ | 14 | buy | high |
| ▲ | American Intl Group | 7.08 | 8.30 | 17 | very high | 80¼ | 10 | hold | high |
| ▲ | American Motors | –1.90 | 0.83 | NM | very low | 5 | 6 | hold | very low |
| ▲ | American Natural Resources | 6.46 | 6.97 | 8 | high | 34 | 5 | hold | low |
| ▲ | American Standard | 2.25 | 3.26 | 45 | low | 29 | 9 | buy | low |
| ▲ | American Stores | 6.78 | 7.68 | 13 | average | 65½ | 9 | NA | NA |
| ▲ | American Tel & Tel | 8.80 | 9.55 | 9 | high | 60⅜ | 6 | buy | high |
| ▲ | AMFAC | 2.33 | 3.19 | 37 | low | 24¾ | 8 | hold | low |
| ▲ | AMP | 3.57 | 4.40 | 23 | average | 66 | 15 | buy | average |
| ▼ | Amstar | 4.31a | 3.85 | –11 | very low | 25 | 6 | sell | very low |
| ▲ | Anderson, Clayton | 4.48a | 4.64 | 4 | average | 26¼ | 6 | NA | NA |
| ▲ | Anheuser-Busch Cos | 5.64 | 6.51 | 15 | very high | 62¼ | 10 | buy | average |
| ▲ | Archer-Daniels-Midland | 2.00a | 2.39 | 17 | very low | 17⅞ | 7 | hold | average |
| ▲ | Arkla | 2.01 | 2.51 | 25 | high | 19¼ | 8 | buy | very high |
| ▲ | Armco | –0.49 | 1.37 | NM | very low | 16⅝ | 12 | sell | very low |
| ▲ | Armstrong World Inds | 1.08 | 1.87 | 73 | average | 24⅜ | 13 | hold | low |
| ▲ | Asarco | –2.95 | 0.79 | NM | very low | 27⅛ | 35 | sell | average |
| ▲ | Ashland Oil | 4.22 | 4.68 | 11 | low | 34⅝ | 7 | sell | average |
| ▲ | Associated Dry Goods | 4.40 | 5.20 | 18 | high | 48½ | 9 | buy | high |
| ▲ | Atlantic Richfield | 6.73 | 7.48 | 11 | high | 47¼ | 6 | buy | very high |
| ▲ | Avco | 3.24 | 3.80 | 17 | average | 26¼ | 7 | hold | very low |
| ▼ | Avnet | 4.03a | 3.77 | –6 | low | 57⅝ | 15 | buy | average |
| ▲ | Avon Products | 2.92 | 3.45 | 18 | high | 25¼ | 7 | hold | average |
| ▼ | Baker International | 3.83 | 3.75 | –2 | low | 22⅝ | 6 | hold | average |
| ▲ | Baldwin-United | 5.28 | 6.13 | 16 | average | 38⅜ | 6 | buy | very low |
| ▲ | Baltimore Gas & Electric | 4.14 | 4.35 | 5 | very high | 28¼ | 6 | hold | very high |
| ▲ | BankAmerica | 3.16 | 3.80 | 20 | average | 23½ | 6 | hold | very high |
| ▲ | Bankers Trust New York | 7.70 | 8.21 | 7 | average | 41⅞ | 5 | buy | average |
| ▲ | Baxter Travenol Labs | 2.63 | 3.17 | 21 | very high | 47⅝ | 15 | buy | high |
| ▲ | Beatrice Foods | 3.23 | 3.48 | 8 | average | 24 | 7 | hold | average |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES); Lynch, Jones & Ryan.*
*Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan.*

# Earnings forecast for the Forbes 500

| Earnings momentum | Company | —Estimated earnings per share*— 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | —Analysts' ratings— buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | Bendix | $6.18 | $7.30 | 18% | average | 79¾ | 11 | sell | very low |
| ▲ | Beneficial Corp | 2.73 | 3.26 | 19 | low | 24⅝ | 8 | hold | very low |
| ▲ | Bethlehem Steel | –4.87 | 1.76 | NM | very low | 18⅝ | 11 | hold | low |
| ▲ | Black & Decker | 0.86 | 1.39 | 62 | low | 15½ | 11 | hold | very high |
| ▲ | Blue Bell | 3.18 | 4.18 | 31 | average | 32¾ | 1 | hold | very high |
| ▲ | Boeing | 2.29 | 2.85 | 24 | very low | 27 | 9 | hold | low |
| ▲ | Boise Cascade | 0.33 | 2.51 | 661 | very low | 34¼ | 14 | buy | very high |
| ▲ | Borden | 5.71 | 6.64 | 16 | average | 40⅛ | 6 | hold | very low |
| ▲ | Borg-Warner | 4.13 | 5.04 | 22 | average | 34¾ | 7 | buy | average |
| ▲ | Bristol-Myers | 5.27 | 6.03 | 14 | very high | 69⅜ | 12 | buy | very high |
| ▲ | Brown Group | 5.47 | 6.27 | 15 | average | 51¼ | 8 | buy | very high |
| ▲ | Brunswick | 2.66 | 4.06 | 53 | average | 25⅛ | 6 | hold | very low |
| ▲ | Burlington Inds | 2.14 | 3.51 | 64 | low | 27¾ | 8 | hold | very low |
| ▲ | Burlington Northern | 4.93 | 6.79 | 38 | low | 57⅜ | 8 | hold | average |
| ▲ | Burroughs | 4.41 | 5.26 | 19 | average | 42⅞ | 8 | hold | very high |
| ▲ | CBS | 5.83 | 7.02 | 20 | high | 53¾ | 8 | buy | average |
| ▲ | CPC International | 4.96 | 5.57 | 12 | very high | 38 | 7 | buy | average |
| ▲ | CSX | 7.04 | 8.70 | 24 | low | 57⅛ | 7 | buy | average |
| ▲ | Cabot | 3.08 | 3.54 | 15 | average | 23⅛ | 7 | NA | NA |
| ▲ | Campbell Soup | 4.64a | 5.11 | 10 | very high | 40¼ | 8 | hold | low |
| ▲ | Campbell Taggart | 2.82 | 3.23 | 15 | very high | 39 | 12 | NA | NA |
| ▲ | Carnation | 5.08 | 5.57 | 10 | very high | 40¼ | 7 | sell | average |
| ▲ | Carolina Power & Light | 3.32 | 3.36 | 1 | average | 20¼ | 6 | hold | average |
| ▲ | Carter Hawley Hale Stores | 1.70 | 2.33 | 37 | average | 15½ | 7 | sell | high |
| ▲ | Castle & Cooke | 0.18a | 0.77 | 328 | very low | 9½ | 12 | sell | high |
| ▲ | Caterpillar Tractor | 0.39 | 2.95 | 656 | very low | 39⅜ | 13 | sell | average |
| ▲ | Celanese | 3.57 | 6.32 | 77 | low | 53⅛ | 8 | sell | average |
| ▲ | Celeron | 3.54 | 4.12 | 16 | high | 22⅝ | 5 | hold | low |
| ▲ | Central & South West | 2.69 | 2.85 | 6 | very high | 17⅜ | 6 | hold | high |
| ▲ | Central Soya | 1.28a | 1.76 | 38 | very low | 14 | 8 | buy | very high |
| ▲ | Champion International | 0.48 | 1.71 | 256 | very low | 21¼ | 12 | buy | high |
| ▲ | Chase Manhattan | 8.60 | 12.20 | 42 | average | 54½ | 4 | buy | average |
| ▲ | Chemical New York | 8.17 | 8.58 | 5 | average | 42 | 5 | buy | average |
| ▲ | Chesebrough-Pond's | 3.63 | 4.17 | 15 | high | 42 | 10 | sell | very high |
| ▲ | Chrysler | 0.75 | 2.96 | 295 | very low | 9¼ | 3 | hold | very low |
| ▲ | Chubb | 5.50 | 7.09 | 29 | low | 46½ | 7 | hold | low |
| ▲ | CIGNA | 6.40 | 7.26 | 13 | average | 44½ | 6 | buy | average |
| ▲ | Citicorp | 5.28 | 5.90 | 12 | average | 38½ | 7 | buy | high |
| ▲ | Cities Service | 3.07 | 3.65 | 19 | low | 48⅜ | 13 | sell | high |
| ▲ | City Investing | 3.71 | 4.41 | 19 | low | 25¾ | 6 | buy | very high |
| ▲ | Clark Equipment | –1.74 | 2.04 | NM | very low | 24⅝ | 12 | sell | average |
| ▲ | Coastal Corp | 2.76 | 3.63 | 32 | low | 26 | 7 | buy | very low |
| ▲ | Coca-Cola | 3.97 | 4.44 | 12 | very high | 45 | 10 | buy | average |
| ▲ | Colgate-Palmolive | 2.56 | 2.86 | 12 | high | 20½ | 7 | hold | average |
| ▲ | Colonial Penn Group | 1.66 | 2.34 | 41 | low | 16¼ | 7 | sell | average |
| ▲ | Colt Industries | 2.10 | 3.99 | 90 | low | 30¼ | 8 | buy | low |
| ▲ | Columbia Gas System | 5.62 | 6.15 | 9 | average | 32¼ | 5 | buy | very high |
| ▲ | Combustion Engineering | 4.99 | 5.38 | 8 | high | 36½ | 7 | buy | low |
| ▲ | Commonwealth Edison | 3.58 | 3.79 | 6 | high | 24¼ | 6 | buy | average |
| ▲ | ConAgra | 2.82 | 3.51 | 24 | high | 26¾ | 8 | hold | low |
| ▲ | Consolidated Edison | 3.35 | 3.61 | 8 | high | 19 | 5 | buy | average |
| ▲ | Consolidated Foods | 5.39a | 5.78 | 9 | very high | 44¾ | 8 | buy | low |
| ▲ | Consolidated Freightways | 4.59 | 5.78 | 26 | average | 53 | 9 | hold | low |
| ▲ | Consolidated Natural Gas | 3.71 | 4.12 | 11 | high | 25¼ | 6 | buy | low |
| ▲ | Consumers Power | 3.23 | 3.32 | 3 | very high | 18¾ | 6 | hold | very high |
| ▼ | Continental Corp | 3.09 | 3.05 | –1 | very low | 30⅛ | 10 | hold | average |
| ▲ | Continental Group | 4.97 | 5.58 | 12 | average | 35¼ | 6 | hold | low |
| ▲ | Continental Illinois | 3.07 | 5.69 | 85 | low | 21½ | 4 | hold | average |
| ▲ | Continental Telecom | 2.47 | 2.74 | 11 | high | 18⅝ | 7 | hold | very high |
| ▲ | Control Data | 4.17 | 5.01 | 20 | average | 37¼ | 7 | buy | average |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES), Lynch, Jones & Ryan.*
*Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan.*

# Earnings forecast for the Forbes 500

| Earnings momentum | Company | —Estimated earnings per share*— 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | —Analysts' ratings— buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | Cooper Industries | $3.41 | $3.64 | 7% | low | 30½ | 8 | hold | low |
| ▲ | Corning Glass Works | 2.96 | 4.86 | 64 | low | 60⅜ | 12 | hold | low |
| ▲ | Crane | 0.79 | 3.47 | 339 | low | 24¼ | 7 | hold | very low |
| ▲ | Crocker National | 3.70 | 4.45 | 20 | low | 31 | 7 | hold | average |
| ▲ | Crown Cork & Seal | 3.90 | 4.44 | 14 | low | 29¼ | 7 | hold | average |
| ▲ | Crown Zellerbach | 0.95 | 2.10 | 121 | very low | 24⅞ | 12 | sell | average |
| ▲ | Crum & Forster | 4.87 | 5.54 | 14 | low | 50 | 9 | sell | low |
| ▲ | Cummins Engine | 1.46 | 7.15 | 390 | very low | 40¼ | 6 | hold | very low |
| ▲ | Dana Corp | 2.35 | 4.18 | 78 | average | 30⅝ | 7 | buy | average |
| ▲ | Dart & Kraft | 7.85 | 8.88 | 13 | very high | 68 | 8 | buy | average |
| ▲ | Dayton-Hudson | 3.90 | 4.63 | 19 | very high | 58⅜ | 13 | buy | average |
| ▲ | Deere & Co | 0.81 | 2.28 | 181 | very low | 29 | 13 | hold | high |
| ▲ | Delta Air Lines | 0.52a | 1.83 | 252 | very low | 34⅛ | 19 | buy | average |
| ▲ | Detroit Edison | 1.92 | 2.12 | 10 | very high | 13 | 6 | hold | very high |
| ▲ | Diamond Shamrock | 2.42 | 3.11 | 29 | low | 24½ | 8 | hold | very high |
| ▲ | Digital Equipment | 7.53a | 7.52 | 0 | average | 97 | 13 | buy | average |
| ▲ | Dillingham | 2.00 | 2.43 | 22 | high | 15 | 6 | NA | NA |
| ▲ | Dillon Cos | 2.60a | 2.97 | 14 | average | 27⅝ | 9 | sell | average |
| ▲ | RR Donnelley & Sons | 4.63 | 5.38 | 16 | very high | 53 | 10 | hold | low |
| ▲ | Dow Chemical | 2.11 | 3.03 | 44 | low | 27¾ | 9 | sell | very high |
| ▲ | Dravo | 0.80 | 1.45 | 81 | very low | 12½ | 9 | NA | NA |
| ▼ | Dresser Industries | 2.55 | 2.45 | –4 | very low | 19 | 8 | hold | average |
| ▲ | El Du Pont de Nemours | 4.16 | 5.46 | 31 | average | 40½ | 7 | hold | average |
| ▲ | Duke Power | 3.36 | 3.58 | 7 | very high | 21⅝ | 6 | hold | average |
| ▲ | Dun & Bradstreet | 5.09 | 6.05 | 19 | very high | 91 | 15 | buy | average |
| ▲ | Eastern Air Lines | –2.60 | –0.09 | NM | very low | 6¾ | NM | sell | low |
| ▲ | Eastern Gas & Fuel | 3.03 | 3.85 | 27 | average | 20¾ | 5 | buy | average |
| ▲ | Eastman Kodak | 7.70 | 9.55 | 24 | average | 92¼ | 10 | buy | average |
| ▲ | Eaton | 2.29 | 4.16 | 82 | very low | 35¼ | 8 | buy | high |
| ▲ | Jack Eckerd | 1.90a | 2.34 | 23 | average | 26⅝ | 11 | hold | high |
| ▲ | El Paso Co | 2.31 | 3.21 | 39 | very low | 18⅞ | 6 | buy | average |
| ▲ | Emerson Electric | 4.41 | 4.87 | 10 | very high | 59 | 12 | hold | low |
| ▲ | Emhart | 6.31 | 7.04 | 12 | average | 38¾ | 6 | buy | very low |
| ▲ | Engelhard | 2.50 | 3.13 | 25 | very low | 29¾ | 10 | buy | low |
| ▲ | ENSERCH | 3.29 | 3.69 | 12 | low | 22⅜ | 6 | hold | low |
| ▲ | Entex | 2.25a | 2.64 | 17 | average | 17¼ | 7 | NA | NA |
| ▲ | Esmark | 7.69 | 9.53 | 24 | very high | 65 | 7 | buy | average |
| ▲ | Ethyl Corp | 4.34 | 5.09 | 17 | average | 31¼ | 6 | hold | very low |
| ▲ | Evans Products | –1.24 | 0.63 | NM | very low | 9⅝ | 15 | sell | high |
| ▼ | Ex-Cell-O | 3.63 | 3.42 | –6 | low | 25⅝ | 7 | buy | low |
| ▲ | Exxon | 4.84 | 5.44 | 12 | low | 31½ | 6 | sell | average |
| ▲ | FMC | 4.66 | 5.32 | 14 | high | 32½ | 6 | buy | average |
| ▲ | Fairchild Industries | 2.12 | 2.39 | 13 | low | 17⅜ | 7 | sell | low |
| ▲ | Federal National Mtg Assoc | –2.25 | 1.13 | NM | very low | 18⅛ | 16 | hold | very low |
| ▲ | Federated Department Stores | 5.33 | 6.26 | 17 | high | 48¾ | 8 | buy | very high |
| ▲ | Firestone Tire & Rubber | 0.50 | 1.68 | 236 | low | 13⅝ | 8 | hold | low |
| ▲ | First Bank System | 6.72 | 7.23 | 8 | very high | 37¾ | 5 | sell | average |
| ▲ | First Chicago | 3.42 | 3.91 | 14 | average | 21⅝ | 6 | buy | very high |
| ▲ | First City Bancorp Texas | 4.25 | 4.91 | 16 | average | 24¾ | 5 | hold | very high |
| ▲ | First Interstate Bancorp | 5.68 | 6.42 | 13 | average | 36 | 6 | hold | high |
| ▲ | First National Boston | 6.24 | 6.75 | 8 | high | 32⅝ | 5 | buy | low |
| ▲ | Fischbach | 6.19 | 6.80 | 10 | average | 43 | 6 | buy | very low |
| ▲ | Fleming Cos | 3.96 | 4.46 | 13 | very high | 38⅜ | 9 | NA | NA |
| ▲ | Florida Power & Light | 5.13 | 5.21 | 2 | very high | 37⅛ | 7 | buy | very high |
| ▲ | Florida Progress | 2.40 | 2.64 | 10 | high | 18⅜ | 7 | hold | high |
| ▲ | Fluor | 2.16 | 2.44 | 13 | low | 23⅛ | 9 | hold | very high |
| ▲ | Ford Motor | –2.28 | 6.45 | NM | very low | 31⅜ | 5 | buy | very low |
| ▲ | Foremost-McKesson | 3.87 | 4.39 | 13 | high | 44⅜ | 10 | hold | low |
| ▼ | Foster Wheeler | 1.88 | 1.86 | –1 | low | 15⅛ | 8 | hold | very high |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES), Lynch, Jones & Ryan;*
*Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan.*

# Earnings forecast for the Forbes 500

| Earnings momentum | Company | —Estimated earnings per share*— 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | —Analysts' ratings— buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | Fruehauf | $–1.58 | $3.15 | NM | very low | 21½ | 7 | NA | NA |
| ▲ | GATX | 2.97 | 3.49 | 18% | low | 27½ | 8 | hold | low |
| ▲ | GTE | 4.64 | 5.13 | 11 | very high | 39 | 8 | buy | high |
| ▲ | Gannett | 3.40 | 3.73 | 10 | high | 53¾ | 14 | hold | average |
| ▲ | General Dynamics | 2.48 | 4.38 | 77 | low | 35 | 8 | buy | average |
| ▲ | General Electric | 7.91 | 9.06 | 15 | very high | 85¼ | 9 | buy | average |
| ▲ | General Foods | 6.02 | 6.65 | 10 | high | 44 | 7 | hold | average |
| ▲ | General Mills | 5.13 | 5.74 | 12 | very high | 51¼ | 9 | hold | high |
| ▲ | General Motors | 3.53 | 8.87 | 151 | low | 54⅜ | 6 | buy | average |
| ▲ | General Public Utilities | 0.78 | 1.22 | 56 | very low | 5⅜ | 5 | hold | average |
| ▲ | General Re | 4.71 | 5.35 | 14 | high | 55¼ | 10 | hold | high |
| ▲ | General Signal | 4.18 | 4.71 | 13 | average | 42¾ | 9 | buy | very high |
| ▲ | General Tire & Rubber | 2.54 | 4.12 | 62 | low | 27⅜ | 7 | buy | very low |
| ▲ | Genuine Parts | 2.95 | 3.47 | 18 | average | 41 | 12 | hold | average |
| ▲ | Georgia Pacific | 1.04 | 1.71 | 64 | low | 23⅞ | 14 | buy | average |
| ▲ | Getty Oil | 8.28 | 9.20 | 11 | average | 60 | 7 | hold | high |
| ▲ | Gillette | 4.43 | 5.16 | 16 | average | 46½ | 9 | hold | low |
| ▲ | BF Goodrich | 1.19 | 3.63 | 205 | very low | 27½ | 8 | buy | very high |
| ▲ | Goodyear Tire & Rubber | 3.00 | 4.23 | 41 | average | 29⅞ | 7 | buy | low |
| ▲ | Gould | 2.20 | 2.93 | 33 | very high | 31½ | 11 | sell | very low |
| ▲ | WR Grace | 6.50 | 7.14 | 10 | low | 41 | 6 | buy | very low |
| ▲ | Great Atlantic & Pac Tea | 0.65 | 1.02 | 57 | very low | 8¾ | 9 | NA | NA |
| ▲ | Great Northern Nekoosa | 4.76 | 6.02 | 26 | average | 40½ | 7 | buy | average |
| ▲ | Great Western Financial | –1.37 | 1.88 | NM | very low | 22½ | 12 | buy | low |
| ▲ | Greyhound Corp | 2.51 | 2.89 | 15 | low | 15½ | 5 | hold | low |
| ▲ | Grumman | 3.09 | 4.79 | 55 | low | 43⅞ | 9 | buy | average |
| ▲ | Gulf & Western Inds | 3.47a | 2.70 | 10 | low | 16⅝ | 6 | hold | very low |
| ▲ | Gulf Oil | 5.56 | 5.86 | 5 | average | 32⅞ | 6 | hold | very high |
| ▲ | Gulf States Utilities | 2.09 | 2.26 | 8 | high | 13⅜ | 6 | hold | high |
| ▲ | Halliburton | 4.71 | 5.03 | 7 | low | 30⅝ | 6 | buy | very high |
| ▲ | Hammermill Paper | 3.86 | 4.49 | 16 | low | 28 | 6 | hold | average |
| ▲ | Harris Corp | 2.42a | 2.80 | 23 | average | 38⅛ | 14 | hold | very high |
| ▲ | HJ Heinz | 4.44 | 4.98 | 12 | very high | 38¾ | 8 | hold | high |
| ▲ | Hercules | 2.22 | 3.07 | 38 | average | 27⅝ | 9 | hold | average |
| ▲ | Hershey Foods | 6.23 | 7.10 | 14 | very high | 48½ | 7 | buy | low |
| ▲ | Hewlett-Packard | 3.02 | 3.62 | 20 | high | 64½ | 18 | buy | high |
| ▲ | Holiday Inns | 2.72 | 3.47 | 28 | average | 37¼ | 11 | buy | average |
| ▲ | Honeywell | 10.33 | 11.83 | 15 | average | 90¼ | 8 | hold | very high |
| ▲ | George A Hormel | 2.47 | 3.60 | 46 | low | 24½ | 7 | NA | NA |
| ▲ | Hospital Corp of America | 3.00 | 3.76 | 25 | very high | 53⅞ | 14 | buy | high |
| ▲ | Household International | 2.66 | 3.28 | 23 | average | 24⅛ | 7 | hold | very high |
| ▲ | Houston Industries | 3.59 | 3.78 | 5 | very high | 20¼ | 5 | buy | low |
| ▲ | Houston Natural Gas | 6.46a | 6.92 | 7 | average | 33⅜ | 5 | buy | average |
| ▼ | Hughes Tool | 3.36 | 3.26 | –3 | very low | 19⅞ | 6 | hold | very high |
| ▲ | Humana | 2.14a | 2.74 | 28 | very high | 40 | 15 | buy | high |
| ▲ | IC Industries | 3.78 | 4.95 | 31 | average | 32¼ | 7 | sell | very low |
| ▲ | IU International | 1.50 | 2.24 | 49 | high | 17 | 8 | buy | average |
| ▲ | Ingersoll-Rand | 3.45 | 4.68 | 36 | very low | 43⅝ | 9 | hold | very high |
| ▲ | Inland Steel | –3.27 | 1.58 | NM | very low | 25¾ | 16 | hold | very low |
| ▲ | InterFirst | 4.22 | 4.71 | 12 | average | 27⅜ | 6 | buy | very high |
| ▲ | International Bus Mach | 6.99 | 8.20 | 17 | very high | 82¾ | 10 | buy | very high |
| ▲ | International Harvester | –37.99 | –12.38 | NM | very low | 4 | NM | sell | high |
| ▼ | International Min & Chem | 4.96a | 3.68 | –22 | low | 34 | 9 | NA | NA |
| ▲ | International Multifoods | 4.52 | 5.06 | 12 | very high | 29⅞ | 6 | hold | high |
| ▲ | International Paper | 3.01 | 4.28 | 42 | low | 48⅝ | 11 | hold | average |
| ▲ | International Tel & Tel | 4.38 | 5.06 | 16 | average | 30¾ | 6 | buy | very low |
| ▲ | InterNorth | 4.67 | 5.32 | 14 | average | 29 | 5 | sell | very high |
| ▲ | Irving Bank | 9.65 | 10.58 | 10 | low | 44¼ | 4 | hold | very low |
| ▲ | Jewel Companies | 6.43 | 6.81 | 6 | very high | 46⅛ | 7 | hold | average |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES), Lynch, Jones & Ryan; Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan.*

# Earnings forecast for the Forbes 500

| Earnings momentum | Company | —Estimated earnings per share*— 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | —Analysts' ratings— buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | Johnson & Johnson | $2.79 | $ 3.37 | 21% | average | 43⅝ | 13 | buy | high |
| ▲ | Johnson Controls | 3.73 | 4.11 | 10 | average | 30 | 7 | buy | very low |
| ▼ | Joy Manufacturing | 4.46 | 3.46 | –22 | very low | 25⅞ | 7 | hold | low |
| ▲ | K mart | 2.17 | 2.73 | 26 | average | 23⅜ | 9 | hold | very high |
| ▲ | Kaiser Alum & Chem | –1.85 | 0.87 | NM | very low | 14⅜ | 17 | sell | average |
| ▲ | Kellogg | 3.00 | 3.32 | 11 | very high | 27⅞ | 8 | sell | average |
| ▲ | Kemper | 5.72 | 6.23 | 9 | low | 34⅜ | 6 | hold | high |
| ▲ | Kerr-McGee | 3.71 | 4.24 | 14 | low | 34 | 8 | buy | very high |
| ▲ | Kidde | 3.92 | 4.36 | 11 | high | 22 | 5 | buy | high |
| ▲ | Kimberly-Clark | 9.15 | 9.69 | 6 | average | 77 | 8 | buy | low |
| ▲ | Knight-Ridder Newspapers | 3.13 | 3.71 | 19 | high | 41½ | 11 | hold | very high |
| ▲ | Koppers | 0.77 | 1.56 | 103 | low | 14¾ | 9 | sell | high |
| ▲ | Kroger | 5.18 | 5.87 | 13 | average | 44½ | 8 | hold | very low |
| ▲ | LTV | –0.49 | 1.60 | NM | very low | 11 | 7 | hold | low |
| ▲ | Lear Siegler | 4.16a | 4.24 | 2 | high | 34¼ | 8 | buy | average |
| ▲ | Levi Strauss | 3.10 | 4.29 | 38 | average | 33½ | 8 | buy | very low |
| ▲ | Eli Lilly | 5.49 | 6.31 | 15 | very high | 60⅞ | 10 | hold | high |
| ▲ | Lincoln National | 6.15 | 6.99 | 14 | average | 43⅞ | 6 | hold | average |
| ▼ | Litton Industries | 7.54a | 7.41 | –2 | average | 55⅜ | 7 | hold | very low |
| ▲ | Lockheed | 9.98 | 11.14 | 12 | high | 82⅝ | 7 | buy | low |
| ▲ | Long Island Lighting | 2.62 | 2.66 | 2 | very high | 17⅜ | 7 | hold | very high |
| ▲ | Louisiana Land & Explor | 2.39 | 2.90 | 21 | low | 23¾ | 8 | sell | low |
| ▲ | Lucky Stores | 1.88 | 2.26 | 20 | average | 15⅞ | 7 | buy | very low |
| ▲ | MCA | 6.60 | 6.83 | 3 | average | 72⅞ | 11 | hold | low |
| ▲ | RH Macy | 4.11a | 4.65 | 13 | average | 52¼ | 11 | buy | very high |
| ▲ | Malone & Hyde | 1.76a | 1.98 | 13 | average | 23⅜ | 12 | NA | NA |
| ▲ | Manufacturers Hanover | 7.47 | 8.02 | 7 | average | 39¼ | 5 | hold | high |
| ▲ | Manville | – 0.44 | 1.09 | NM | very low | 5¾ | 5 | sell | low |
| ▲ | MAPCO | 3.11 | 3.69 | 19 | low | 28⅝ | 8 | sell | very low |
| ▲ | Marriott | 3.50 | 4.41 | 26 | very high | 51¼ | 12 | buy | average |
| ▲ | Martin Marietta | 3.45 | 4.96 | 44 | average | 42 | 8 | hold | low |
| ▲ | Mattel | 3.70 | 3.93 | 6 | average | 21⅝ | 6 | hold | low |
| ▲ | May Department Stores | 4.65 | 5.28 | 14 | high | 37¼ | 7 | buy | very high |
| ▼ | McDermott | 3.28 | 2.88 | –12 | very low | 19 | 7 | hold | low |
| ▲ | McDonald's | 5.05 | 5.85 | 16 | very high | 59¾ | 10 | buy | low |
| ▲ | McDonnell Douglas | 5.30 | 6.08 | 15 | average | 42¾ | 7 | hold | high |
| ▲ | McGraw-Edison | 3.77 | 4.79 | 27 | average | 34 | 7 | buy | high |
| ▲ | McGraw-Hill | 4.49 | 5.20 | 16 | very high | 66 | 13 | buy | low |
| ▲ | Mead | 0.00 | 1.96 | NM | very low | 19¼ | 10 | sell | average |
| ▲ | Mellon National | 6.81 | 7.36 | 8 | very high | 44 | 6 | buy | average |
| ▲ | Melville | 5.80 | 6.76 | 17 | high | 63 | 9 | buy | high |
| ▲ | Mercantile Stores | 10.86 | 12.40 | 14 | very high | 91⅞ | 7 | buy | very low |
| ▲ | Merck & Co | 5.86 | 6.75 | 15 | high | 82½ | 12 | buy | high |
| ▲ | Midcon | 4.53 | 5.14 | 13 | average | 28 | 5 | hold | average |
| ▲ | Middle South Utilities | 2.36 | 2.50 | 6 | very high | 15 | 6 | sell | low |
| ▲ | Minnesota Mining & Mfg | 5.67 | 6.74 | 19 | average | 74¾ | 11 | buy | low |
| ▲ | Missouri Pacific | 11.71 | 13.08 | 12 | high | 78 | 6 | buy | very high |
| ▲ | Mobil | 3.82 | 4.93 | 29 | average | 26⅜ | 5 | buy | very high |
| ▲ | Monsanto | 9.44 | 11.52 | 22 | average | 82¾ | 7 | buy | high |
| ▲ | JP Morgan | 10.07 | 10.89 | 8 | average | 68½ | 6 | buy | very high |
| ▼ | Morrison-Knudsen | 3.81 | 3.69 | –3 | low | 25⅜ | 7 | buy | very low |
| ▲ | Motorola | 4.78 | 6.43 | 35 | average | 85⅛ | 13 | hold | very high |
| ▲ | Murphy Oil | 4.24 | 4.68 | 10 | average | 26 | 6 | buy | very low |
| ▲ | NCR | 7.79 | 9.31 | 20 | average | 79¾ | 9 | hold | high |
| ▲ | NBD Bancorp | 5.86 | 6.39 | 9 | high | 27¾ | 4 | NA | NA |
| ▼ | NL Industries | 4.13 | 3.72 | –10 | low | 20⅜ | 5 | hold | low |
| ▲ | Nabisco Brands | 4.76 | 5.34 | 12 | very high | 40½ | 8 | hold | average |
| ▲ | National Can | 2.98 | 3.35 | 12 | low | 19⅝ | 6 | sell | high |
| ▲ | National Distil & Chem | 2.75 | 3.42 | 24 | low | 25¾ | 8 | hold | high |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES), Lynch, Jones & Ryan.*
*Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan.*

# Earnings forecast for the Forbes 500

| Earnings momentum | Company | —Estimated earnings per share*— 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | —Analysts' ratings— buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | National Semiconductor | $0.82 | $2.14 | 161% | very low | 24¼ | 11 | hold | average |
| ▲ | National Steel | –6.90 | 1.37 | NM | very low | 16½ | 12 | sell | low |
| ▲ | Natomas | 3.48 | 4.38 | 26 | average | 19⅜ | 4 | hold | very high |
| ▲ | New England Electric Sys | 4.36 | 4.51 | 3 | high | 29½ | 7 | hold | very high |
| ▲ | Niagara Mohawk Power | 2.54 | 2.63 | 4 | average | 15¾ | 6 | hold | average |
| ▲ | NICOR | 4.67 | 5.64 | 21 | average | 28¾ | 5 | hold | high |
| ▲ | Norfolk Southern | 7.92 | 9.33 | 18 | average | 64⅜ | 7 | buy | average |
| ▲ | North American Philips | 5.85 | 6.93 | 18 | low | 46¼ | 7 | NA | NA |
| ▲ | Northeast Utilities | 1.75 | 1.84 | 5 | average | 11⅞ | 6 | hold | low |
| ▲ | Northern Indiana Pub Svc | 1.52 | 1.82 | 20 | average | 12⅞ | 7 | hold | average |
| ▲ | Northern States Power | 4.49 | 4.66 | 4 | high | 29⅝ | 6 | buy | very high |
| ▲ | Northrop | –0.03 | 6.95 | NM | low | 74⅜ | 11 | buy | average |
| ▲ | Northwest Airlines | 0.83 | 2.80 | 237 | low | 39⅛ | 14 | buy | average |
| ▲ | Northwest Bancorporation | 4.35 | 4.75 | 9 | high | 25½ | 5 | hold | high |
| ▲ | Northwest Energy | 3.59 | 4.14 | 13 | low | 17⅛ | 4 | hold | low |
| ▼ | Northwest Industries | 10.13 | 8.13 | –20 | very low | 40½ | 5 | sell | very low |
| ▲ | Norton | 3.56 | 4.52 | 27 | low | 30¼ | 7 | buy | very high |
| ▲ | Norton Simon | 2.42a | 2.79 | 15 | low | 23⅜ | 8 | hold | high |
| ▲ | Occidental Petroleum | 2.62 | 3.31 | 26 | very low | 22 | 7 | hold | average |
| ▲ | Ogden | 3.45 | 4.16 | 21 | average | 25⅜ | 6 | buy | average |
| ▲ | Ohio Edison | 2.10 | 2.21 | 5 | high | 14⅜ | 7 | sell | average |
| ▲ | Olin | 3.06 | 4.03 | 32 | high | 22¾ | 6 | hold | very high |
| ▲ | ONEOK | 4.88a | 5.43 | 11 | average | 29½ | 5 | sell | very high |
| ▲ | Owens-Corning Fiberglas | 0.57 | 2.11 | 270 | very low | 29⅜ | 14 | sell | average |
| ▲ | Owens-Illinois | 3.64 | 4.25 | 17 | high | 26¼ | 6 | hold | low |
| ▲ | PPG Industries | 4.58 | 5.90 | 29 | average | 49⅛ | 8 | hold | high |
| ▲ | PACCAR | 3.67 | 8.82 | 140 | average | 69½ | 8 | buy | average |
| ▼ | Pacific Gas & Electric | 4.66 | 4.57 | –2 | high | 28 | 6 | buy | high |
| ▲ | Pacific Lighting | 4.40 | 5.02 | 14 | average | 28½ | 6 | hold | very low |
| ▲ | Pacific Power & Light | 2.98 | 3.16 | 6 | high | 21 | 7 | hold | very high |
| ▲ | Pan American World Airways | –2.35 | –0.71 | NM | very low | 3 | NM | sell | low |
| ▲ | Panhandle Eastern | 6.05 | 6.32 | 4 | average | 30½ | 5 | hold | average |
| ▲ | Parker-Hannifin | 2.12a | 2.34 | 10 | very low | 20⅞ | 9 | hold | high |
| ▲ | Parsons | 2.30 | 2.44 | 6 | high | 22½ | 9 | hold | average |
| ▲ | Penn Central | 3.24 | 3.72 | 15 | low | 28¼ | 8 | NA | NA |
| ▲ | JC Penney | 5.86 | 6.66 | 14 | high | 51⅛ | 8 | buy | high |
| ▲ | Pennsylvania Power & Light | 3.34 | 3.40 | 2 | very high | 21⅛ | 6 | hold | average |
| ▲ | Pennzoil | 3.43 | 4.18 | 22 | average | 34 | 8 | hold | low |
| ▲ | Peoples Energy | 1.51 | 1.65 | 9 | NA | 9⅞ | 6 | hold | average |
| ▲ | PepsiCo | 4.11 | 4.69 | 14 | average | 43⅜ | 9 | buy | average |
| ▲ | Perkin-Elmer | 1.45a | 1.75 | 21 | low | 28¼ | 16 | hold | high |
| ▲ | Petrolane | 2.02 | 2.15 | 6 | high | 13⅝ | 6 | hold | low |
| ▲ | Pfizer | 4.44 | 5.43 | 22 | average | 70⅛ | 13 | buy | very high |
| ▲ | Phelps Dodge | –3.07 | 1.16 | NM | very low | 27¼ | 23 | hold | high |
| ▲ | Phibro-Salomon | 4.13 | 5.24 | 27 | low | 48½ | 9 | hold | low |
| ▲ | Philadelphia Electric | 2.34 | 2.41 | 3 | high | 17 | 7 | sell | very high |
| ▲ | Phillip Morris | 6.41 | 7.52 | 17 | very high | 61 | 8 | buy | very high |
| ▲ | Phillips Petroleum | 4.41 | 5.12 | 16 | average | 34¼ | 7 | buy | high |
| ▲ | Pillsbury | 6.46 | 7.20 | 11 | average | 49 | 7 | hold | low |
| ▲ | Pioneer Corp | 2.59 | 3.46 | 34 | low | 21¼ | 6 | hold | low |
| ▲ | Pitney Bowes | 4.50 | 5.42 | 20 | very high | 44¾ | 8 | buy | low |
| ▲ | Pittston | 1.22 | 1.70 | 39 | very low | 14¼ | 8 | sell | very low |
| ▲ | Pneumo | 4.65 | 5.43 | 17 | average | 45⅞ | 8 | buy | very high |
| ▲ | Polaroid | 1.71 | 2.64 | 54 | low | 24½ | 9 | sell | average |
| ▲ | Primark | 4.01 | 4.75 | 18 | average | 27 | 6 | buy | low |
| ▲ | Procter & Gamble | 9.39a | 10.55 | 12 | very high | 114½ | 11 | hold | average |
| ▲ | Public Service Co Colo | 2.27 | 2.39 | 5 | very high | 16 | 7 | hold | high |
| ▲ | Public Service E&G | 3.25 | 3.36 | 3 | high | 22⅞ | 7 | hold | high |
| ▲ | Quaker Oats | 5.81a | 6.28 | 8 | high | 46⅛ | 7 | buy | high |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES), Lynch, Jones & Ryan*
*Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan*

# Earnings forecast for the Forbes 500

| Earnings momentum | Company | Estimated earnings per share* 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | Analysts' ratings buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | RCA | $1.98 | $2.47 | 25% | average | 25⅛ | 10 | hold | low |
| ▲ | Ralston Purina | 1.73 | 2.04 | 18 | high | 16⅝ | 8 | buy | high |
| ▼ | Raymond International | 1.71 | 1.57 | –8 | average | 12⅜ | 8 | hold | very high |
| ▲ | Raytheon | 3.98 | 4.52 | 14 | high | 48 | 11 | hold | average |
| ▲ | Republic Airlines | –0.65 | 1.13 | NM | very low | 6 | 5 | hold | very low |
| ▲ | Republic Steel | –10.26 | 1.42 | NM | average | 17⅛ | 12 | sell | very low |
| ▲ | RepublicBank Corp | 5.79 | 6.41 | 11 | NA | 32 | 5 | hold | high |
| ▲ | Revco DS | 2.87 | 3.39 | 18 | very high | 43¾ | 13 | hold | low |
| ▲ | Revlon | 3.15 | 3.78 | 20 | average | 29 | 8 | hold | very high |
| ▲ | Rexnord | 0.22 | 1.03 | 368 | very low | 12¼ | 12 | buy | very low |
| ▲ | RJ Reynolds | 7.67 | 8.38 | 9 | high | 56 | 7 | buy | high |
| ▲ | Reynolds Metals | 0.75 | 2.09 | 179 | very low | 24⅞ | 12 | sell | average |
| ▲ | Richardson-Vicks | 2.74a | 3.47 | 27 | high | 29 | 8 | hold | very high |
| ▲ | Roadway Services | 3.78 | 4.60 | 22 | average | 57 | 12 | sell | average |
| ▲ | Rockwell International | 4.28 | 5.01 | 17 | very high | 43 | 9 | hold | average |
| ▲ | Rohm & Haas | 6.20 | 7.69 | 24 | average | 70½ | 9 | hold | very high |
| ▲ | Ryder System | 3.96 | 4.30 | 21 | high | 45⅛ | 9 | buy | low |
| ▲ | SCM | 3.01a | 4.71 | 56 | average | 29⅝ | 5 | hold | very low |
| ▲ | Safeco | 5.35 | 5.91 | 10 | low | 43⅛ | 7 | hold | low |
| ▲ | Safeway Stores | 4.96 | 5.48 | 10 | average | 42⅞ | 8 | hold | very low |
| ▲ | St Paul Cos | 8.23 | 8.66 | 5 | average | 59⅛ | 7 | buy | average |
| ▲ | St Regis Paper | 1.97 | 2.81 | 43 | very low | 25⅛ | 9 | hold | very high |
| ▼ | San Diego Gas & Electric | 2.74 | 2.64 | –4 | high | 17 | 6 | hold | low |
| ▲ | Santa Fe Industries | 2.43 | 3.11 | 28 | low | 23¼ | 7 | buy | very high |
| ▲ | Schering-Plough | 3.57 | 3.96 | 11 | very high | 37¾ | 10 | hold | very high |
| ▲ | Scott Paper | 2.17 | 2.67 | 23 | low | 20 | 7 | sell | low |
| ▲ | Seafirst Corp | –0.78 | 3.25 | NM | very low | 16½ | 6 | hold | low |
| ▲ | Sears, Roebuck | 2.35 | 2.73 | 16 | average | 27⅝ | 10 | hold | average |
| ▲ | Security Pacific | 7.31 | 7.90 | 8 | high | 43¼ | 5 | hold | high |
| ▲ | Shell Oil | 5.15 | 5.78 | 12 | average | 44¼ | 8 | hold | very high |
| ▲ | Sherwin-Williams | 3.67 | 4.54 | 24 | average | 37 | 8 | hold | low |
| ▲ | Signal Cos | 1.77 | 2.82 | 59 | low | 22⅝ | 8 | buy | high |
| ▲ | Singer | 0.56 | 2.31 | 313 | very low | 16⅝ | 7 | buy | very low |
| ▼ | Smith International | 4.23 | 3.99 | –6 | very low | 24 | 6 | hold | high |
| ▲ | SmithKline-Beckman | 5.75 | 6.87 | 19 | very high | 74½ | 11 | buy | high |
| ▲ | SONAT | 5.00 | 5.67 | 13 | very high | 30⅝ | 5 | buy | very high |
| ▲ | Southern California Edison | 4.90 | 5.58 | 14 | very high | 33⅞ | 6 | buy | high |
| ▲ | Southern Company | 2.17 | 2.19 | 1 | average | 15⅜ | 7 | hold | high |
| ▲ | Southern Pacific | 3.42 | 4.58 | 34 | very low | 41¼ | 9 | sell | very high |
| ▲ | Southland | 4.43 | 5.02 | 13 | very high | 42½ | 8 | hold | average |
| ▲ | Sperry Corp | 4.02 | 4.82 | 20 | low | 28⅜ | 6 | sell | low |
| ▲ | Square D | 2.89 | 3.36 | 16 | average | 31½ | 9 | hold | high |
| ▲ | Squibb | 3.00 | 3.47 | 16 | very high | 44⅛ | 13 | hold | average |
| ▲ | AE Staley Manufacturing | 2.98 | 3.08 | 3 | very low | 19½ | 6 | hold | low |
| ▲ | Standard Oil (California) | 3.92 | 5.25 | 34 | low | 35 | 7 | buy | very high |
| ▲ | Standard Oil (Indiana) | 6.05 | 6.94 | 15 | average | 46 | 7 | buy | very high |
| ▲ | Standard Oil (Ohio) | 7.45 | 7.66 | 3 | high | 39¼ | 5 | buy | very high |
| ▲ | Stauffer Chemical | 2.99 | 3.49 | 17 | average | 24¾ | 7 | hold | very high |
| ▲ | Sterling Drug | 2.21 | 2.54 | 15 | high | 28 | 11 | hold | very high |
| ▲ | JP Stevens | 1.40 | 2.23 | 59 | very low | 18 | 8 | sell | low |
| ▲ | Stop & Shop Cos | 6.54 | 7.75 | 19 | very high | 54¼ | 7 | NA | NA |
| ▲ | Sun Inc | 4.66 | 5.63 | 21 | average | 36⅞ | 7 | hold | average |
| ▲ | Super Valu Stores | 1.98 | 2.32 | 17 | high | 24⅜ | 11 | NA | NA |
| ▲ | Superior Oil | 2.50 | 2.88 | 15 | average | 32 | 11 | hold | low |
| ▲ | Supermarkets General | 4.23 | 4.74 | 12 | high | 35¼ | 7 | buy | high |
| ▲ | Swift Independent | 5.09 | 5.30 | 4 | average | 23⅝ | 4 | NA | NA |
| ▲ | Sysco | 1.71a | 2.02 | 18 | very high | 33¾ | 17 | hold | average |
| ▲ | TRW | 5.90 | 7.04 | 19 | high | 64⅝ | 9 | hold | average |
| ▲ | Tandy Corp | 2.17a | 2.75 | 27 | average | 43⅜ | 16 | buy | high |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES), Lynch, Jones & Ryan.*
*Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan.*

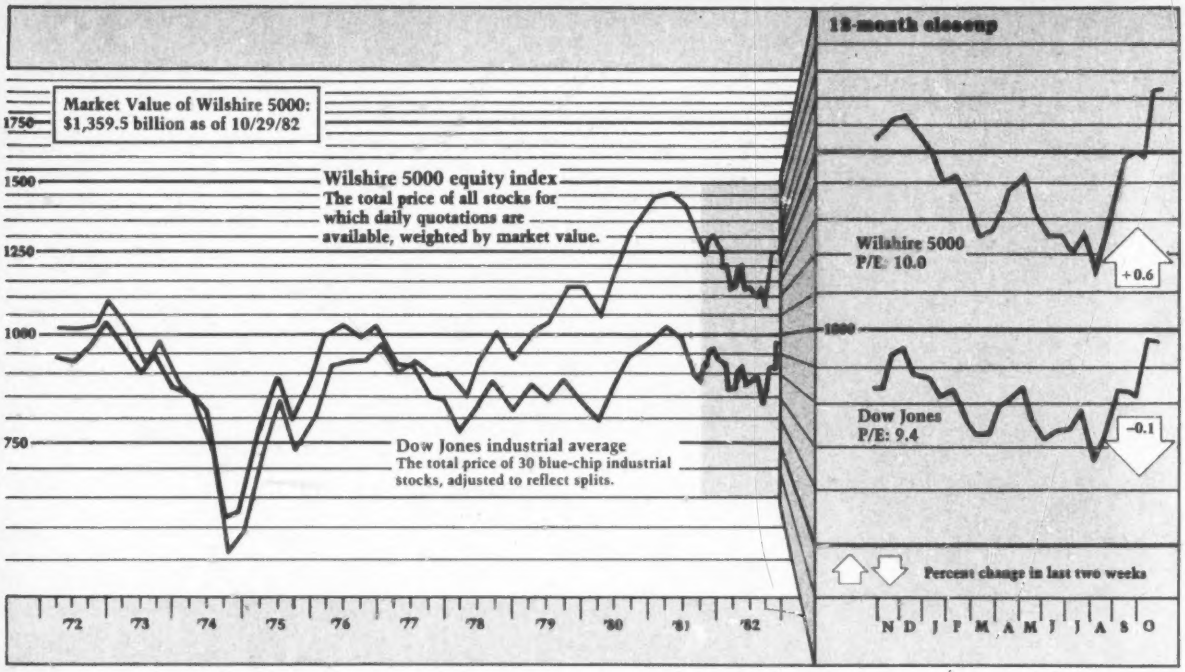
# Earnings forecast for the Forbes 500

| Earnings momentum | Company | —Estimated earnings per share*— 1982 | 1983 | % change | Estimate confidence factor | Recent price | P/E based on 1983 estimate | —Analysts' ratings— buy-sell opinion | confidence factor |
|---|---|---|---|---|---|---|---|---|---|
| ▲ | **Teledyne** | $16.33 | $18.91 | 16% | average | 135 | 7 | buy | high |
| ▲ | **Tenneco** | 5.60 | 6.34 | 13 | average | 34 | 5 | hold | average |
| ▲ | **Tesoro Petroleum** | 2.62 | 4.20 | 60 | very high | 17 | 4 | NA | NA |
| ▲ | **Texaco** | 5.52 | 6.42 | 16 | low | 32⅝ | 5 | sell | very high |
| ▲ | **Texas Comm Bancshares** | 5.35 | 5.89 | 10 | average | 38⅛ | 6 | buy | average |
| ▲ | **Texas Eastern** | 8.21 | 9.49 | 16 | average | 56¼ | 6 | hold | average |
| ▲ | **Texas Gas Transmission** | 5.84 | 6.61 | 13 | average | 30⅞ | 5 | hold | very high |
| ▲ | **Texas Instruments** | 5.84 | 9.24 | 58 | low | 118⅛ | 13 | buy | high |
| ▲ | **Texas Oil & Gas** | 2.60a | 3.34 | 28 | average | 35¾ | 11 | buy | average |
| ▲ | **Texas Utilities** | 3.70 | 3.89 | 5 | very high | 25 | 6 | buy | high |
| ▲ | **Textron** | 2.34 | 3.25 | 39 | low | 26½ | 8 | hold | high |
| ▲ | **Tiger International** | –2.41 | –0.61 | NM | very low | 8¾ | NM | sell | very low |
| ▲ | **Time Inc** | 2.66 | 3.41 | 28 | average | 47⅝ | 14 | buy | average |
| ▲ | **Times Mirror** | 3.74 | 4.74 | 27 | average | 58⅜ | 12 | buy | high |
| ▲ | **Timken** | 4.12 | 5.84 | 42 | very low | 52⅜ | 9 | hold | very low |
| ▲ | **Tosco** | 1.44 | 2.32 | 61 | very low | 16 | 7 | NA | very high |
| ▲ | **Trans World** | 1.23 | 3.66 | 198 | very low | 23⅞ | 7 | buy | average |
| ▲ | **Transamerica** | 3.33 | 3.83 | 15 | average | 23½ | 6 | buy | average |
| ▲ | **Transco Energy** | 6.28 | 6.80 | 8 | average | 37 | 5 | hold | average |
| ▲ | **Travelers** | 3.70 | 4.16 | 12 | average | 24⅝ | 6 | hold | average |
| ▲ | **UAL** | –1.55 | 2.32 | NM | very low | 27 | 12 | hold | average |
| ▲ | **USF&G** | 4.44 | 5.20 | 17 | very low | 45 | 9 | sell | average |
| ▲ | **Union Camp** | 5.38 | 6.43 | 20 | average | 61¾ | 10 | hold | low |
| ▲ | **Union Carbide** | 6.37 | 8.28 | 30 | average | 57 | 7 | hold | very high |
| ▲ | **Union Electric** | 2.11 | 2.18 | 3 | very high | 13⅜ | 6 | sell | low |
| ▲ | **Union Oil Co of Calif** | 4.62 | 5.19 | 12 | high | 30¾ | 6 | buy | very high |
| ▲ | **Union Pacific** | 3.81 | 4.90 | 29 | average | 49⅜ | 10 | hold | average |
| ▲ | **Uniroyal** | 0.73 | 1.46 | 100 | low | 9⅝ | 7 | buy | very low |
| ▲ | **United Energy Resources** | 7.87 | 8.67 | 10 | average | 31¼ | 4 | hold | low |
| ▲ | **USAir** | 2.84 | 3.48 | 23 | low | 25¾ | 7 | buy | average |
| ▲ | **United States Gypsum** | 2.31 | 3.51 | 52 | low | 46¼ | 13 | buy | average |
| ▲ | **United States Steel** | –0.71 | 2.62 | NM | very low | 21⅛ | 8 | sell | low |
| ▲ | **United Technologies** | 6.60 | 7.65 | 16 | average | 56¾ | 7 | buy | high |
| ▲ | **United Telecommunications** | 2.75 | 3.04 | 11 | high | 21½ | 7 | buy | average |
| ▲ | **Upjohn** | 4.77 | 5.32 | 12 | average | 51¾ | 10 | sell | high |
| ▲ | **Valero Energy** | 3.34 | 4.18 | 25 | low | 22½ | 5 | hold | very low |
| ▲ | **Virginia Electric & Power** | 2.10 | 2.25 | 7 | high | 14⅛ | 6 | hold | average |
| ▲ | **Wal-Mart Stores** | 1.71 | 2.27 | 33 | high | 40⅛ | 18 | buy | low |
| ▼ | **Walgreen** | 3.73a | 3.32 | –11 | very high | 50¼ | 15 | hold | very low |
| ▲ | **Jim Walter** | 0.29a | 1.27 | 338 | very low | 30½ | 24 | hold | average |
| ▲ | **Warner Communications** | 5.43 | 6.66 | 23 | high | 53⅞ | 8 | buy | average |
| ▲ | **Warner-Lambert** | 2.16 | 2.50 | 16 | very high | 27⅝ | 11 | sell | very high |
| ▲ | **Wells Fargo** | 5.42 | 5.84 | 8 | low | 29⅜ | 5 | hold | very high |
| ▲ | **West Point-Pepperell** | 4.01a | 4.44 | 11 | low | 36 | 8 | hold | very low |
| ▲ | **Westinghouse Electric** | 4.98 | 5.58 | 12 | high | 36¾ | 7 | buy | high |
| ▲ | **Westvaco** | 2.48 | 3.18 | 28 | low | 25⅛ | 8 | hold | average |
| ▲ | **Weyerhaeuser** | 1.13 | 2.23 | 97 | low | 33½ | 16 | hold | high |
| ▲ | **Wheelabrator-Frye** | 5.25 | 5.67 | 8 | average | 43⅜ | 8 | buy | low |
| ▲ | **Whirlpool** | 3.65 | 4.31 | 18 | average | 42¼ | 10 | hold | low |
| ▲ | **White Consolidated Inds** | 2.20 | 3.21 | 46 | very low | 33⅛ | 10 | hold | very low |
| ▲ | **Whittaker** | 4.14 | 4.74 | 14 | low | 25¾ | 5 | buy | average |
| ▲ | **Williams Cos** | 1.33 | 1.96 | 47 | very low | 18 | 9 | sell | low |
| ▲ | **Winn-Dixie Stores** | 4.18a | 4.54 | 9 | very high | 45 | 10 | sell | average |
| ▲ | **Wisconsin Electric Power** | 3.43 | 3.61 | 5 | high | 24⅜ | 7 | buy | high |
| ▲ | **Witco Chemical** | 3.49 | 4.35 | 25 | average | 26½ | 6 | buy | high |
| ▲ | **FW Woolworth** | 2.22 | 2.89 | 30 | low | 25 | 9 | hold | very high |
| ▲ | **Xerox** | 5.24 | 5.72 | 9 | low | 37¾ | 7 | hold | low |
| ▲ | **Zayre** | 4.14 | 5.07 | 22 | average | 51 | 10 | buy | very low |
| ▲ | **Zenith Radio** | 0.23 | 0.80 | 248 | very low | 13¾ | 17 | sell | very low |

*For fiscal years ending June through May of the following year. a: actual earnings. NA: Not available. NM: Not meaningful.

*Sources: Institutional Brokers Estimate System (IBES), Lynch, Jones & Ryan.*
*Institutional Brokers Opinion Survey (IBOS)—a service of Bankers Trust and Lynch, Jones & Ryan.*

# The Forbes/Wilshire 5000 Review




**Blue-chip profit taking.** When the Dow crosses 1000, it is a signal to many investors to cash in on some of their gains. This is just what happened over the last two weeks. Undoubtedly, some of the newfound profits moved into secondary issues. The Dow fell 0.1% while NASDAQ and Amex stocks advanced 4% and 1.9%, respectively. For the last month the secondary issues are several percentage points ahead of the Dow and the NYSE.

In mid-August the price/earnings ratio of the broad-based Wilshire was around 7. The Wilshire is now selling at 10 times earnings. That's pretty high by current standards, but Wall Street now looks for higher earnings next year. Should corporate earnings continue to deteriorate, this multiple would look very dicey.

Of the investor yardstick groups, high and low P/E stocks were in demand as buyers sought out both growth and potentially undervalued situations. High-growth issues, in particular, advanced 19% over the last four weeks. The least favored groups, low-volatility and high-yield stocks, nevertheless managed gains of 8% or better.

## Close-up On The Equity Markets

**Performance of six leading indexes**

| Percent change | Wilshire 5000 | Forbes 500[1] | Dow Jones Industrials | NYSE Composite | Amex Market Value Index | NASDAQ Composite |
|---|---|---|---|---|---|---|
| in last 4 weeks | 10.2 | 9.1 | 9.3 | 9.9 | 13.0 | 12.7 |
| in last 52 weeks | 7.8 | NA | 16.3 | 8.9 | 2.5 | 8.9 |

**Stock performance based on five key investor yardsticks**

| Percent change | Volatility[2] | | P/E multiple | | Dividend yield | | Growth profile[3] | | Share price | |
|---|---|---|---|---|---|---|---|---|---|---|
| | high | low | over 25 | under 5 | over 7.5% | none | high | low | over $40 | under $4 |
| in last 4 weeks | 17.3 | 8.0 | 13.7 | 14.5 | 8.1 | 15.5 | 19.0 | 9.6 | 11.2 | 11.9 |
| in last 52 weeks | 18.2 | 19.9 | 2.9 | 30.4 | 21.2 | 27.7 | 21.9 | 21.1 | 12.2 | 12.0 |

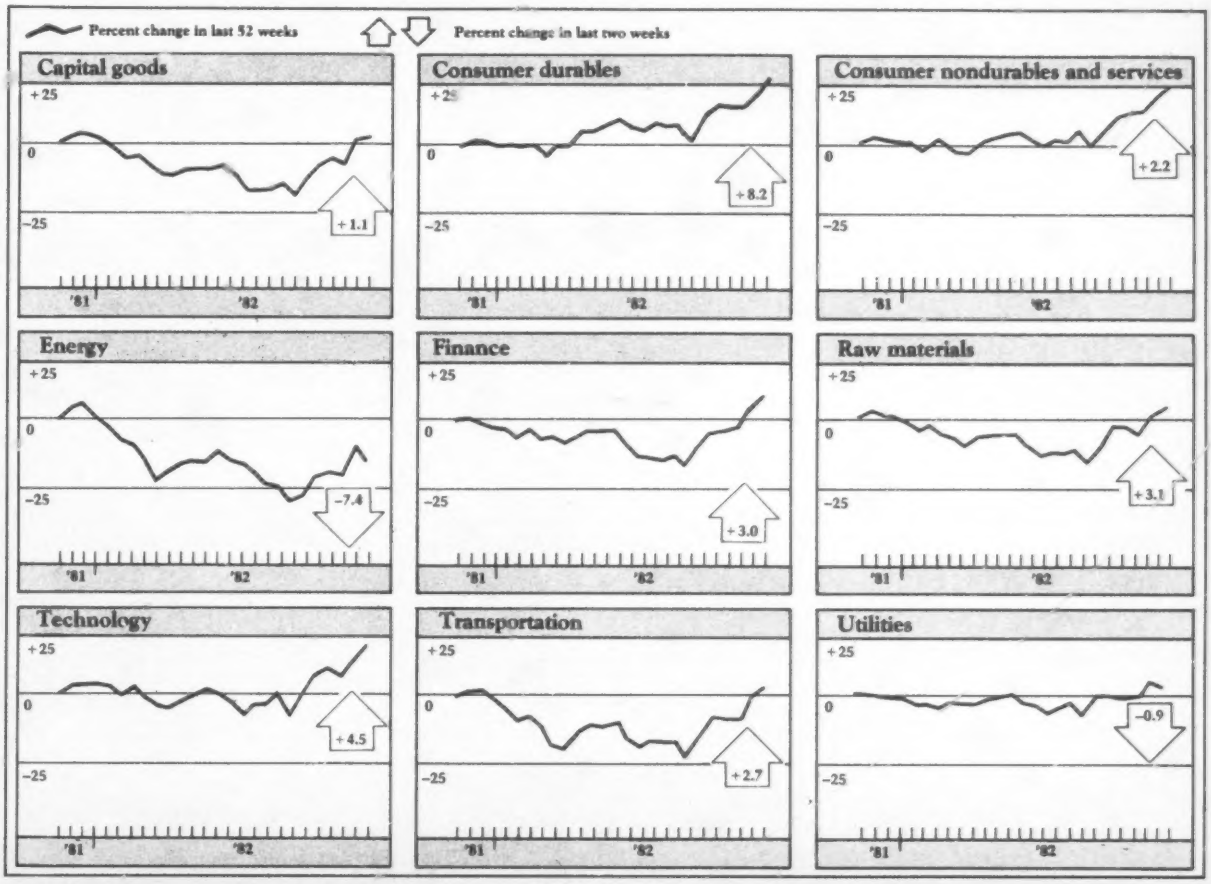
NA: Not available.
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 10/29/82. Prepared by Wilshire Associates, Santa Monica, Calif.

## Where The Action Is

**Auto sales down, stocks up.** While the public shunned Detroit's cars, investors were buying its stock. Over the last two weeks General Motors and Ford both registered more than 10% gains, and this helped propel consumer durables to lead all nine sectors with an 8.2% advance.

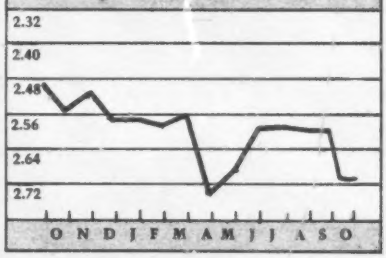
Technology issues held on to a 4.5% gain. Several NASDAQ computer stocks such as Apple, Convergent Technology, Intel and Tandem were especially hot during the first half of the recent two-week period. On the other hand, energy issues once again fell out of favor as they went from a 13.8% gain in the previous report to a 7.4% loss over the last two weeks.




## What The Analysts Think

**An unusual bottom-dweller.** Again analysts placed consumer durables at the bottom of their buy list. Yet for the last two and four weeks, consumer durables show the greatest market gains. And though this sector ranked last, current analyst opinion (1 is a strong buy, 5 a strong sale) has improved from two weeks ago.

**The experts' consensus**




| Rank | Sector | Current opinion | Rank 2 weeks ago | Rank 4 weeks ago |
|---|---|---|---|---|
| 1 | Technology | 2.43 | 1 | 1 |
| 2 | Capital Goods | 2.53 | 4 | 3 |
| 3 | Utilities | 2.66 | 2 | 2 |
| 4 | Energy | 2.75 | 7 | 6 |
| 5 | Finance | 2.76 | 3 | 4 |
| 6 | Consumer Non-Durables | 2.78 | 5 | 5 |
| 7 | Transportation | 2.80 | 8 | 8 |
| 8 | Raw Materials | 2.81 | 6 | 7 |
| 9 | Consumer Durables | 2.90 | 9 | 9 |

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 10/29/82. Prepared by Wilshire Associates, Santa Monica, Calif

the volatile oil stocks for long-term purchase these days, but as the summer's meteoric market levels off there may be trading opportunities in oils to watchers of spot oil and heating oil futures prices.—P.S.M.

## Streetwalker

### Congratulations! You are bankrupt

Bankruptcy, like divorce, has lost its stigma in America. The federal bankruptcy law permits managements of companies who seek refuge under Chapter 11 of the Bankruptcy Act to continue running things; there's no pain in the executive suite. It's turning into a convenient way to stall inconvenient creditors. We're not talking about a real bankruptcy like the one that threatens International Harvester, but a tactical move like the Manville Corp. proceedings.

Now comes Revere Copper & Brass Inc., which some Wall Streeters think may have similar motives. It isn't asbestos lawsuits that are the encumbrance but lawsuits over contracts rising out of Revere's shuttered Scottsboro, Ala. aluminum plant. Revere is under contract to pay TVA nearly $17 million a year for power it no longer uses. It also is under contract to produce an annual 173,000 metric tons of alumina for delivery to Alcoa; Revere loses money on every pound. Sheltered behind Chapter 11, Revere can thumb its nose at both. The Street expects to see more such tactics soon.—P.S.M.

### A classic buyback?

J.P. Stevens? A sleepy textile stock? On just two days before the Halloween weekend the $2 billion (sales) textiles giant traded 340,000 shares—more than it usually turns over in an entire month. Stevens closed at 21⅞, a high not reached since 1976.

While Gulf & Western isn't talking, the gray wolf himself, Charles Bluhdorn, may be behind the action. Since spring 1981 the conglomerate has bought 22.5% of Stevens' 14.5 million common outstanding at prices ranging from 12 to 18.

Stevens has all the makings of a classic buyback situation. It still sells at a big discount to book: $33.59 in 1981. When the recovery comes, there is bound to be plenty of profit leverage. Capital spending since 1978 will total $415 million—75% more than the previous five years. A turned-around Stevens could take out G&W at a premium to market, and in the process shrink the float. But Barry Gluck of L.F. Rothschild, Unterberg, Towbin says there's more to Stevens than Bluhdorn: a real turnaround. Gluck predicts $3 next year, double his 1982 estimate. Buyback or investment, Bluhdorn probably can't lose.—**Thomas Jaffe**

*Will Telephone broken up be worth more—or less—than Telephone intact? The big problem for shareholders is to figure out which parts will be worth most.*

# For whom does the bell toll best?

**By Richard Phalon**

WILL THE SUM of AT&T's parts be equal to more than the whole? The definitive answer should begin to emerge by the end of this month. That's when AT&T is expected to disclose how assets and debt will be distributed among the seven big regional operating companies it plans to spin off to shareholders under the antitrust settlement worked out with the Department of Justice in January.

Pending that unveiling, Wall Street has been crunching numbers already available. The cautious but by no means unanimous opinion is that Telephone unbundled might for openers be worth at least a bit more than the 63¼ high touched several weeks ago. "I think the parts are worth more than the whole," says Leonard Hyman, who covers the industry for Merrill Lynch. "People have underestimated the companies that will be spun off."

That conclusion, of course, involves some assumptions about how the market will react to the eight pieces of paper each of Telephone's 3 million shareholders can elect to own when the breakup, scheduled for early 1984, takes place.

This is how the eight pieces of paper will shape up:

- A basic holding in the parent, which will include all of the long-distance toll business; AT&T's equipment manufacturing arm, Western Electric; the high-technology promise of Bell Labs; and the unregulated right to push into such previously off-limit markets as computer-oriented telecommunications.
- Proportionate holdings in seven regional companies representing about 70% of the Bell system's $140 billion in assets *(see map)*. These seven groups, embracing the 22 operating companies *(see table, p. 248)*, will all be regulated suppliers of local telephone service. Their earnings mix will be enriched by highly profitable Yellow Pages advertising revenues, and the right to market (but not

**The Bell regions**

## Numbers, please

**While the distribution of assets and debt among the regional operating companies to be spun off has yet to be disclosed by AT&T, here is a sneak preview of how their potential values compare in terms of earning power per telephone, debt coverage, credit rating and regulatory climate.**

| Utility | Revenues (millions) | Net income (millions) | Number of telephones | Per telephone revenues | Per telephone net inc | Long-term debt as % of total capital | Pretax interest coverage | S&P's debt rating | Regulatory climate* |
|---|---|---|---|---|---|---|---|---|---|
| **Northeast** | | | | | | | | | |
| New York Telephone | $5,944 | $603.8 | 11,678,000 | $509 | $52 | 40.7% | 3.75 | AAA | BBB |
| New England Tel & Tel | 2,698 | 296.1 | 7,110,000 | 379 | 42 | 41.2 | 3.95 | AA+ | BB |
| AVERAGE | | | | **460** | **48** | **40.9** | **3.82** | | |
| **Mid-Atlantic** | | | | | | | | | |
| Bell Telephone Co of Penna | 2,204 | 245.3 | 7,951,000 | 277 | 31 | 41.5 | 3.78 | AAA | BB |
| Diamond State Telephone | 159 | 19.5 | 540,000 | 295 | 36 | 34.9 | 4.25 | AAA | A |
| Chesapeake & Potomac Tel | 3,034 | 319.0 | 8,784,000 | 345 | 36 | 36.5 | 3.60 | —† | —† |
| New Jersey Bell Telephone | 2,124 | 255.5 | 6,620,000 | 321 | 39 | 36.7 | 4.22 | AAA | A |
| AVERAGE | | | | **315** | **35** | **38.1** | **3.83** | | |
| **Southeast** | | | | | | | | | |
| Southern Bell Tel & Tel | 5,112 | 618.5 | 13,035,000 | 392 | 47 | 39.5 | 3.97 | AAA | AA |
| South Central Bell Telephone | 4,094 | 545.8 | 10,678,000 | 383 | 51 | 37.2 | 4.43 | AAA | BB |
| AVERAGE | | | | **388** | **49** | **38.5** | **4.17** | | |
| **Great Lakes** | | | | | | | | | |
| Illinois Bell Telephone | 2,710 | 255.8 | 8,481,000 | 319 | 30 | 40.0 | 3.57 | AAA | A |
| Indiana Bell Telephone | 851 | 112.8 | 2,619,000 | 325 | 43 | 38.5 | 5.00 | AAA | AAA |
| Michigan Bell Telephone | 2,011 | 198.7 | 6,280,000 | 320 | 32 | 40.9 | 3.43 | AAA | B |
| Ohio Bell Telephone | 1,709 | 189.7 | 5,002,000 | 342 | 38 | 35.8 | 4.05 | AAA | A |
| Wisconsin Telephone | 789 | 91.7 | 2,360,000 | 334 | 39 | 40.2 | 4.25 | AAA | AA |
| AVERAGE | | | | **326** | **34** | **39.3** | **3.84** | | |
| **Southwest** | | | | | | | | | |
| Southwestern Bell Telephone | 6,782 | 781.2 | 16,993,000 | 399 | 46 | 41.0 | 4.05 | AAA | A |
| **Northwest** | | | | | | | | | |
| Mountain States Tel & Tel | 3,166 | 369.4 | 8,114,000 | 390 | 46 | 38.6 | 3.62 | AAA | A |
| Northwestern Bell Telephone | 2,026 | 256.2 | 5,656,000 | 358 | 45 | 36.8 | 4.21 | AAA | BBB |
| Pacific Northwest Bell Tel | 1,597 | 192.3 | 3,864,000 | 413 | 50 | 38.3 | 3.95 | AAA | BBB |
| AVERAGE | | | | **385** | **46** | **38.0** | **3.86** | | |
| **Pacific** | | | | | | | | | |
| Pacific Tel & Tel (incl Nevada Bell) | 6,819 | 438.8 | 16,639,000 | 410 | 26 | 54.6 | 1.82 | A– | BBB |

*Estimated by Prudential-Bache Securities Inc.
†Includes Chesapeake & Potomac Tel of District of Columbia, Maryland, Virginia and West Virginia.

manufacture) phone equipment.

Merrill Lynch's Leonard Hyman is not the only analyst who sees promise in AT&T as a "long-term divestiture play." Gerald Morgan of Prudential-Bache Securities Inc. is also among those who believe the parts will be worth more than the whole, and so is Ernest Liu of Goldman, Sachs.

Liu's reasoning goes like this. Post breakup, the erstwhile parent should earn around $4 a share, and as a liberated entry in unregulated telecommunications markets, command a higher multiple than it does now. Even at a modest 8 times earnings, a notch above the present 7 times, that works out to $32 a share. Liu figures the local operating companies are also worth about $32 a share on the current stock, assuming a 10% to 12% return on equity and a 65% to 70% dividend payout.

Among all the assumptions, however, one thing is clear: The market is not going to value all of the regional stocks equally. Telephone has tried evenhandedly to reinforce weaknesses with strength in all the major groups—a top-rated Indiana Bell harnessed to troubled Ohio and Michigan Bell in the Great Lakes region, for example. The market will inevitably take into account such variables as the underlying demographics, debt coverage, and regulatory climate. But geography is geography and prosperity is not evenly distributed. Won't the market demand lower multiples and lower yields of the freestanding Pacific Tel and its tough regulatory climate, for example, than it will of a AAA-rated Southeastern group with lower debt ratios operating in a considerably more amenable regulatory climate?

Those are differences AT&T's 3 million shareholders will have to sort out in terms of their own investment objectives. "I think it would be foolish to hold or sell the entire package," concludes Merrill Lynch's Leonard Hyman. "Some investors will want some pieces of the package; others will want other pieces."

Which pieces to keep, which to sell? The answer is easy enough for investors whose primary objective is growth. "Convert all the regional shares into the new Telephone," says Gerald Morgan of Prudential-Bache. For growth plus income, Morgan suggests a 50/50 weighting between Telephone and the best-situated regionals. For income alone, he thinks selling Telephone and concentrating the proceeds in the four or five best-looking regionals is the answer.

The premise is uncluttered enough. Like most of his colleagues, Morgan thinks the erstwhile parent evolving from utility to industrial status will

plow back a much bigger chunk of its earnings into the business than it does now. That means a lower dividend payout. The regional operating companies, on the other hand, still very much in the utility business, will probably return something under the yields on the average electric company—now around 11%—and trade at somewhat higher multiples.

At the moment, Morgan thinks the Southeast and Mid-Atlantic regions are the best stocks to hang on to and has a sell sign, in descending order, on the Northeast, Southwest and Great Lakes offerings.

Though Morgan's estimates have been shaped in good measure by what he thinks of the regulatory climate in each of the regions, he thinks Pacific Tel might turn out to be something of a sleeper. The company is hung with the albatross of the lowest bond rating in the entire Bell system. Morgan, however, thinks the decidedly populist California regulators have become somewhat more understanding of the highly leveraged Pac Tel's rate problems. He also sees a possible kicker in the prospect that Congress may yet forgive the company a $1.1 billion tax liability that grew out of a disagreement with the Internal Revenue Service over accelerated depreciations allowances.

***The market won't value the regional stocks equally. AT&T tried to reinforce weakness with strength in all the groups. Geography is geography; prosperity is not evenly distributed.***

Much of the Bell analysis is admittedly informed conjecture and will remain so until AT&T puts the definitive divestiture plan on the table. "We need more information to get a better fix on things," says Morgan.

More precise definition is also coming on the clearinghouse-like operation AT&T plans to set up for shareholders. The aim, says one AT&T spokesman, is a mechanism, maybe including a swap program, that will make it "easy, convenient and inexpensive" to reduce or round out their holdings in the new system. Eight pieces of paper multiplied by more than 3 million shareholders is a blizzard that AT&T would like to hold to manageable proportions—a characteristic start in the evolution of a company that has been trying to do well by its stockholders for better than 100 years. ■

## The Money Men

*In the venture capital game, the backer often has to be as creative as the entrepreneur he finances. Take Capital Management's Donald Valentine. . . .*

# Happy Valentine

**By James Cook**

As far back as 1965, when he was marketing vice president of Fairchild Semiconductor, Donald Valentine knew he wasn't cut out to run companies. Found them, yes. Get them pointed in the right direction and growing, sure. But then Valentine preferred to move on. In time, Valentine and some colleagues at Fairchild started a company of their own, the fabulously successful National Semiconductor. Valentine also began making a series of successful personal investments in outfits like Scientific Data Systems, California Computer Products and Teledyne. "I liked to start companies, not administer them," he says, and so, in 1972, when a group of associates suggested he might like to manage a pool of venture capital, he leaped at the chance.

That's how Capital Management Services, Valentine's venture capital firm, was formed. Capital manages Valentine's venture capital partnerships, and the results have been every bit as successful as Valentine's backers had hoped. Capital concentrates in those technology areas where Valentine, 46, is experienced. "Our whole objective is to get money in at 10 cents and then have somebody buy us out at $20." In reality, Valentine settles for considerably less than that—a not inconsiderable tenfold increase in value over five years.

"We've found by experience," Don Valentine says, "that the total cycle is five years plus three—five years to invest, three years to liquidate, either by selling out or going public, and some period of time to distribute." Sequoia Capital I, his first partnership, was wound up in 1978. Sequoia Capital II went into distribution in September, with an initial spinoff of Tandon Corp. to its partners, and should wind up in three years. Sequoia Capital III, formed last December, is just beginning, with one of its first investments going into Electronic Arts, a firm headed by a former Apple executive.

Capital's ventures are anything but rich folks' toys. Its backers consist solely of multibillion-dollar tax-exempt institutions—the General Electric, Alcoa and Armco pension funds, for example, the Vanderbilt, Yale, Stanford and University of California endowments, the Ford Foundation. "We have no individuals in our partnerships on purpose. We get all the money we want from sources that neither die nor get divorced. It's difficult dealing with an estate because we can't value what we own. We put a million dollars in a company starting out, and in the first 18 months they lost $900,000 of it."

For tax-exempt institutions, venture capital has a lot of appeal. Each of Valentine's institutional investors puts up a million or two. For outfits their size, a heavy loss—even a total loss—would be unpleasant but not catastrophic. If it pays, on the other hand, even the biggies notice. "If we can take a couple million dollars and multiply it by 20," Valentine says, "it can have a meaningful impact."

It has had a meaningful impact for Valentine, who has wound up a multimillionaire. Capital gets 20% of any net gains. Thus far, Capital's compound rate of return has exceeded 50% annually. "You have big gains,"

# NOTE

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